

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

July 21, 2003

Board Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2005
JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2004
JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2007
THOMAS CANDON, representing Commissioner of BISHCA, John P. Crowley
VAUGHN ALTEMUS, representing Interim Commissioner of Education, David Larsen
JEB SPAULDING, Vermont State Treasurer

Also attending:

Cynthia Webster, Director of Retirement Operations
Robert Hooper, VSEA member (term expiring September, 2004)
Angelo Dorta, President VT-NEA
Jeff Francis, VT Superintendent's Association
David Minot, Director of Finance and Investments
Joe Bahr, Education and Information Specialist
John Nelson, Department of Education
Lyman Amsden, retired superintendent
Rita Rinehart and June Atwood, Vermont Retired Teachers' Association
Ellen Griggs, Doug Moseley, Michael Lee, New England Pension Consultants (NEPC) via the telephone

The Chairperson, Joe Mackey, called the meeting to order at 8:15 a.m. on Monday, July 21, 2003, in Room 11 at the State House, Montpelier, Vermont.

ITEM 1: *Approval of minutes of June 5, 2003*

Mr. Harris questioned if Mr. Griffin would be looking at the legislative history and submit his written opinion separately or as a memo attached to the minutes. Ms. Webster clarified that the legislative history provided by VT-NEA along with the Mr. Griffin's opinion would be part of the record of the minutes. She had not received a copy yet, but will attach it with the minutes when she does.

On a motion by Mr. Kaplan seconded by Mr. Harris, it was unanimously voted to approve the amended minutes of June 5, 2003.

ITEM 2: *Independent contractor update*

- a. Review and approve final draft of letters

Ms. Webster handed out a copy of a cover memo that states schools districts will be required to determine whether they have someone employed or working within their school systems that are receiving a benefit from the retirement system. It was questioned whether school systems know if they have someone employed that is receiving benefits from the retirement system.

The memo instructs the school districts to ask the question or send out a survey, and in the future ask new employees at time of hire. A report that the school districts have to complete for the retirement office is going to include a statement about perjury and will appear over the payroll officer's signature. Mr. Kaplan wanted to know what the penalty would be if a school district employee did not have a copy of a SS-8 in their file. Mrs. Webster stated a letter from the Social Security Administration will inform the school districts of what the penalty might be if they are employing an independent contractor and do not have an SS-8 form in that employee's file. The penalty could be that they would be required to pay all back taxes, plus an additional penalty on what should have been paid.

b. Discuss feedback from districts/interested organizations.

Mr. Amsden proposed the following: mandate retirees who return to work to contribute on all earnings over the allowable amount, or freeze retirement and become a contributing member again.

Mr. Francis suggested strengthening the request letter to include the board's concerns: i.e. impact to the system, etc. The board can then determine the scope of the issue and decide what further actions need to be made at that time.

Mr. Dorta stated the members of VT-NEA are pleased that the board is addressing the issue. Going forward, Mr. Dorta shared that the board needs to act to protect the system in a fair manner.

Mr. Spaulding suggested the board implement the requirement that school districts use the SS-8 to determine employee/contractor status effective July 1, 2004.

On a motion by Mr. Spaulding seconded by Mr. Harris, it was unanimously voted to direct the Retirement Division of the Treasurer's office to send a letter to all school districts to review the situation, collect the information and state that the board developed and implemented a policy that will be effective effective next July 1, 2004, that will require those beneficiaries of the system working in the districts to file an SS-8 to document their employment status. The letter should also outline the consequences of what will happen if they do not file for a SS-8.

c. Discuss developing a return to work policy

The board deferred discussion until a later date.

ITEM 3: *Projected contribution rates compiled by NEPC and Buck Consultants*

Mr. Minot explained, with the assistance of NEPC via conference call, why NEPC and Buck's projected contribution rates differed. A chart was provided outlining the differences between various points.

ITEM 4: *State Treasurer's Report*

a. Proxies voting update and options.

As part of his report Mr. Spaulding handed out a copy of an e-mail he had sent out in relation to a proxy voting presentation he made on June 5, 2003. The presentation lays out the following board options:

- 1) Continue the current practice of delegating the proxy voting to individual managers;
- 2) Employ a firm that would help to develop the proxies, keep them current, vote them and report back to the board. The cost would be around \$30-\$40 thousand; or
- 3) Find someone through an RFP process to help the board set their own proxy guidelines, keep them current and do an auditing service. After the board has their proxy guidelines give them to the individual money managers, request them to vote the proxies and have a quarterly/annual report on how the managers voted relative to the board's proxies.

On a motion by Mr. Harris seconded by Mr. Altemus, the board unanimously agreed to authorize the Treasurer's office to develop the RFP for a proxy voting company consistent with option three.

b. Expense reimbursements.

Expenses will be reimbursed in accordance with the General Services Administration Report (G.S.A.). ~~A copy of the chart will be included with the minutes.~~ A question asked was if classified employees must abide by Bulletin 3.5 or can they be reimbursed according to the G.S.A. charts.

On a motion by Mr. Harris seconded by Mr. Candon, it was unanimously agreed to adopt the travel policy as written with Ms. Webster clarifying how state employees should be reimbursed.

ITEM 5: *Effect of new licensing requirements for teachers.*

Mr. Nelson, Esq. from the Vermont Department of Education addressed the board concerning a rule change that involved teachers on an emergency license or provisional license and how it affects participation in the retirement system. A memo from Mr. Driscoll from Buck Actuary stated that there would be an impact to the normal cost to the system. Although he was not able to determine the exact impact, he estimated the potential impact could be three to four hundred new entrants, in addition to what is normally seen on an annual basis. Without knowing more specific information, especially the potential age of the targeted population, it is difficult to determine what the cost impact to the system might be. The statute requires all members to be licensed, and these individuals do have a license and would seem to fit within the statute. However the provisional license is questionable. With a provisional license, the person would have a BA degree and a major subject area of teaching, which would qualify the individual to be granted a provisional license for two years. The question was asked if any changes could be made to the statute in reference to the word *license* and its definition. Ms. Webster advised that the board supported the previous change to the statutory definition of

teacher to insert the word *license*. Any additional change would have to go through the legislature. There was a proposal to seek legal counsel as to whether or not the retirement board can interpret the word *license* in the statute to mean Level 1 and Level 2 with the findings to be discussed at the August meeting.

ITEM 6: *Asset recovery/securities litigation update*

State Street Bank has registered to be part of any civil cases they become aware of. The board questioned whether there was any reason for the Vermont Retirement Systems to become a lead plaintive in a securities litigation case, either individually or as a group. Companies would monitor and let the retirement systems know if there were opportunities and if the retirement systems chose to they could go forward or not. The benefits for doing this are: (1) as a group effort, everyone would have to do their share, (2) the lead plaintive gets to determine what the settlement would be. There is no cost involved for the monitoring but if the retirement systems chose to go forward legal fees would be incurred.

ITEM 7: *Miscellaneous*

a. Election process

The board questioned Mr. Bahr concerning the election process.

b. Health care premium notification

Retired members need to know what the actual rates will be in order to make an informed decision during open enrollment. At the time the open enrollment information was sent out, the actual rate amounts were not known. In the future it was agreed to attempt to obtain the information earlier in order to be able to provide a dollar amount to the retirees rather than a percent amount.

c. Update on lawsuit relating to transfer & options

Discussion ensued concerning who is ultimately responsible for educating the members on their options. No update on the lawsuit was available at this time.

ITEM 8: *Update on contracts*

According to the Attorney General's Office, the standard money manager contract is for a five-year period with a two-year renewal at the same or lower prices.

ITEM 9: *Reportable wages*

An issue was discussed concerning wages that were not reported by a school bookkeeper and the member wanted them included for credit in her retirement benefit calculation. The member was claiming it was overtime pay, but the duties she was performing were not part of the original contract. Additional information will be requested and the issue will be discussed at a future meeting.

ITEM 10: *The Sharon Academy*

Discussion ensued. Additional information will be requested and issue will be addressed at the next business meeting on Tuesday, September 23, 2003.

ITEM 11: *Any other business to be brought before the Board*

None

On a motion of Mr. Kaplan seconded by Mr. Harris, it was unanimously voted to adjourn at 1:00 p.m.

Respectfully submitted,

Cynthia L. Webster
Executive Secretary to the Board